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OCT 17 1953

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, GUATEMALA

338
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

October 16, 1953
DATE

REF : --

F790004-1138

67 For Dept.	ACTION OCT-10	DEPT. DCA-2, IPS-1, IES-2, IFA-2, IUR-5, I-3, E-4, REP-1
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SUBJECT: WEEKA NO. 42 - ECONOMIC SECTION AG-5, COM 8
Action Taken

SECTION II

Date of Action

Urban Real Estate (Unclassified)

Action Office Symbol

The Special Committee appointed last July to prepare a new urban rental law for Guatemala submitted to Congress a bill which would raise the rent ceilings on low and medium price residential and commercial buildings but would oblige landlords to repair within eight days defective sanitary facilities or any damage due to "ordinary deterioration" and to paint at least once every two years. Under the law, tenants could be removed only under several strictly defined conditions, with heavy fines for illegal eviction, and special courts with exclusive jurisdiction to resolve disputes between landlords and tenants would be established. However, only residences assessed for tax purposes at less than \$12,000 and commercial properties occupied by businesses with less than \$20,000 operating capital would be subject to the law.

The special Congressional committee, which was headed by Communist Deputy José Alberto CARDOZA, stated that the law would not solve the housing problem in Guatemala but would make the landlord-tenant relationship more just, humane, and equal from an economic viewpoint, and would encourage investment in low-cost housing by raising the maximum legal rent from 7 to 10 percent of the assessed value. However, the independent El Imparcial, in addition to pointing out the danger of a special system of courts, stated that the law placed so many restrictions on low-cost rentals that honest landlords and builders would leave the field almost entirely to unscrupulous businessmen who would merely intensify the problem by circumventing the law's intent.

DECLASSIFICATION DATE 1/30/79
PER CANNON OFFICE - ARA
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Restricted

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Local real estate interests were not surprised by the project of law as they have been expecting a drastic move by the Government and new investment in the low and medium cost fields has been at a standstill for some time. At present, however, their principal concern is that leftist elements may dominate and abuse the proposed judicial system, as under agrarian reform, and that even their current profitable investments may soon be converted into liabilities.

End Restricted

Agricultural Price Supports (Unclassified)

Continuing its policy of setting support prices for certain basic crops as a means of stimulating agricultural production, the Guatemalan Government has provided that sugar mills pay growers at least \$7.50 for a ton of cane and that the Production Development Institute (INFOP) buy corn on the open market at \$0.025 per pound.

Restricted

In the case of sugar cane, it appears that the Government's action will probably support the price effectively since mills will not be able to buy cane for less than \$7.50, and they will probably not reduce production since demand is high and they can make a small profit at the legal price of \$0.075 per pound of white sugar. However, a substantial increase in production would depend on an expansion of mill facilities in order to handle more cane and under present conditions private capital would probably not be available for the investment required.

With regard to corn, the new move is outwardly similar to previous programs, which failed apparently because of financial limitations, lack of storage facilities, and the strict quality requirements set by INFOP. In 1952 the support price was set at \$0.03 per pound but INFOP turned down most offers because the corn did not meet specifications and in September of that year the open market price declined to \$0.0175.

However, it will be recalled that in a separate attempt to support the domestic price of corn the Government was negotiating for the export of 50,000 tons to Mexico (WEEKKA No. 34) and it is understood that an agreement has now been reached on the basis of \$0.03 per pound f.o.b. Guatemala

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and certain quality, cleanliness and humidity specifications. Hence, if Guatemalan farmers can supply corn which meets the Mexican specifications it is possible that INFOP will be able to support the \$0.025 per pound price since it now has a guaranteed purchaser, thus eliminating the storage and financial problems.

R. E. Schoenfeld

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